

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05

CEA-01 L-03 H-01 PA-01 AGRE-00 /090 W

-----033640 031052Z /10

R 021430Z DEC 77

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 7065

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMCONSUL LUBUMBASHI

USIA WASHDC

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E.O. 11652: N/A

TAGS: ECON, EGEN, EALR, CG

SUBJECT: DOMESTIC PRICE TRENDS, OCTOBER-NOVEMBER 1977

REF: KINSHASA 9440

1. SUMMARY: WHILE OCTOBER SAW STABLE OR DROPPING FOOD PRICES IN KINSHASA, MOST LIKELY A RESULT OF THE GOVERNMENT'S DECISION TO KEEP THE POPULACE FED DURING THE OCTOBER ELECTIONS, NOVEMBER SHOWED SHARP RISES IN THE OVERALL INDEX, PRIMARILY ATTRIBUTABLE TO RISING COSTS FOR STAPLES SUCH AS PREAD, RICE AND MANIOC. POPULAR ATTENTION HAS BEEN INCREASINGLY FOCUSED ON THE HIGH AND RISING COST OF LIVING. EVEN IF PRESIDENT MOBUTU'S RECENTLY PROPOSED REFORMS WERE TO BE CARRIED OUT, IN THE MEANTIME PRICES WILL CONTINUE TO CLIMB. EMBASSY ESTIMATES AVERAGE ANNUAL INFLATION RATE AT 70 PER CENT, OR ABOVE, ONLY A SMALL DROP FROM LAST YEAR'S 80 PER CENT AND WELL ABOVE THIS YEAR'S TARGET OF 30 PER CENT. END SUMMARY

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2. THE EFFECTS OF GOZ FOOD POLICY CAN CLEARLY BE SEEN IN THE EMBASSY'S KINSHASA COST OF LIVING INDEX. DURING THE OCTOBER ELECTION PERIOD IT SEEMS THAT THE ZAIRIAN GOVERNMENT WAS DETERMINED TO KEEP FOOD AND PETROLEUM SUPPLIES UP TO NORMAL LEVELS OR BETTER. PRICES FOR MANY COMMODITIES REMAINED STEADY OR DROPPED, ALTHOUGH RICE AND DRIED MANIOC CONTINUED IN SHORT

SUPPLY AND COMMANDED HIGHER PRICES THAN IN SEPTEMBER. THE RESULT WAS A STABLE OR DECREASING INDEX FOR OCTOBER, REFLECTING THE PREDOMINANCE OF FOOD EXPENDITURES IN THE AVERAGE ZAIRIAN BUDGET.

3. BY NOVEMBER THE INFLATIONARY TREND HAD AGAIN PICKED UP SPEED. FUELED BY A SEVERE BREAD SHORTAGE BROUGHT ON BY LACK OF FOREIGN EXCHANGE TO PAY FOR WHEAT IMPORTS, AND A CONTINUED RICE SHORTAGE AS ADMINISTRATIVE DELAYS KEPT THE FIRST OF THE PL-480 RICE FROM BEING MARKETED, THE NOVEMBER INDICES SHOT UP AN AVERAGE OF 12 POINTS. OTHER ITEMS IN PARTICULARLY SHORT SUPPLY WERE SUGAR, AN IMPORTANT RAW MATERIAL FOR THE BREWERIES, POWDERED MILK, AND MANIOC FLOUR. ALTHOUGH HOLIDAY SPENDING BEGINS TO MAKE ITS IMPACT ON PRICES IN MID-TO-LATE NOVEMBER, THIS YEAR'S INCREASE IS SHARPER THAN THAT REGISTERED IN 1976. GIVEN THE FREE-SPENDING TENDENCIES INHERENT IN THE CHRISTMAS SEASON, WHICH IS ALSO THE END OF THE ZAIRIAN FISCAL YEAR, DECEMBER'S PRICES CAN BE EXPECTED TO CONTINUE TO CLIMB.

4. POPULAR REACTION TO EVER-HIGHER FOOD PRICES HAS BECOME FAR MORE VOCAL IN THE LAST FEW MONTHS. IN ADDITION TO THE NOW ALMOST ROUTINE NEWSPAPER COLUMNS INVEIGHING AGAINST SPECULATORS AND MIDDLEMEN WHO FORCE UP THE PRICE OF BASIC GOODS, ELIMA, ONE OF THE TWO KINSHASA DAILIES, RECENTLY PUBLISHED A TEN-PAGE SERIES ON THE COST OF FOOD IN KINSHASA. THE REPORTERS INTERVIEWED VARIOUS MERCHANTS AND DISTRIBUTORS, WHOLESALE AS WELL AS RETAIL, AND PUBLISHED THE RESULTS OF THE INTERVIEWS, COMPLETE WITH SOME LIMITED OFFICIAL USE

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UNKIND WORDS FOR CERTAIN DISTRIBUTORS WHO ALLOWED "LETTERS OF INTRODUCTION" FROM VARIOUS POLITICALLY IMPORTANT PERSONS TO INFLUENCE THEIR DIVISION OF SCARCE FOOD PRODUCTS. BECAUSE THE ARTICLES WERE MOST IMMEDIATELY PROMPTED BY THE CURRENT BREAD SHORTAGE THEY DID DEAL AT LENGTH WITH THE PARTICULAR PROBLEMS OF THE BAKERY DISTRIBUTION SYSTEM, BUT THE HEAVIEST CONDEMNATION WENT TO THOSE LADIES, USUALLY RELATIVES OF POLITICAL OR MILITARY FIGURES, WHO PURCHASE LOTS OF GOODS FROM LEGITIMATE DISTRIBUTORS, NOT FOR THEIR OWN NEEDS OR FOR DIRECT RESALE, BUT FOR RESALE TO A SECOND "WHOLESALE" WHO THEN MARKS UP THE GOODS A THIRD TIME BEFORE FINALLY SELLING THE ITEMS ON THE LOCAL MARKET.

5. WITH THIS BACKGROUND, MOBUTU'S NOVEMBER 25TH CONDEMNATION OF THE ZAIRIAN ELITE USING THEIR COUSINS AND NIECES TO PROFIT FROM HIGH FOOD PRICES COULD ONLY HAVE BEEN MET WITH APPLAUSE. WHILE IT REMAINS TO BE SEEN JUST HOW MUCH WILL BE DONE TO CURB SOME OF THE MORE BLATANT ABUSES OF THE CURRENT SYSTEM, ANY MOVEMENT AT ALL WILL BE WELCOMED BY THE AVERAGE ZAIRIAN. MOVES TO STOP THE IMPORTATION OF NON-ESSENTIAL FOOD ITEMS (SUCH AS THE BEAUJOLAIS NOUVEAU WHICH ARRIVED IN KINSHASA LESS THAN 48 HOURS AFTER IT BECAME AVAILABLE IN FRANCE), ESPECIALLY THOSE BROUGHT IN UNDER COVER OF PRIORITY ITEM LETTERS OF CREDIT, AND TO

LIMIT THE NUMBER OF MIDDLE MEN WOULD DO MUCH TO EASE THE
DRAIN ON THE PURSE OF THE ZAIRIAN WORKER. HOWEVER, THESE MOVES
WOULD ALSO CUT SUBSTANTIALLY INTO THE PROFITS AND LIFE STYLE
OF MUCH OF MOBUTU'S POWER BASE IN THE ZAIRIAN ARMY AND AMONG
THE ECONOMIC ELITE.

| 6. INCOME GROUP | | | | PERCENT | PERCENT |
|-----------------|--------|--------|--------|---------|---------------|
| | NOV 22 | OCT 26 | NOV 22 | CHANGE | CHANGE |
| | 1977 | 1977 | 1976 | NOV-NOV | DEC 76-NOV 77 |
| HIGH | 247.3 | 235.8 | 143.2 | 72.7 | 54.5 |
| MIDDLE | 253.1 | 236.8 | 137.7 | 83.8 | 70.1 |
| LOW | 275.8 | 268.6 | 147.7 | 86.7 | 73.2 |
| REVISED LOW | 256.6 | 226.5 | | | |

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